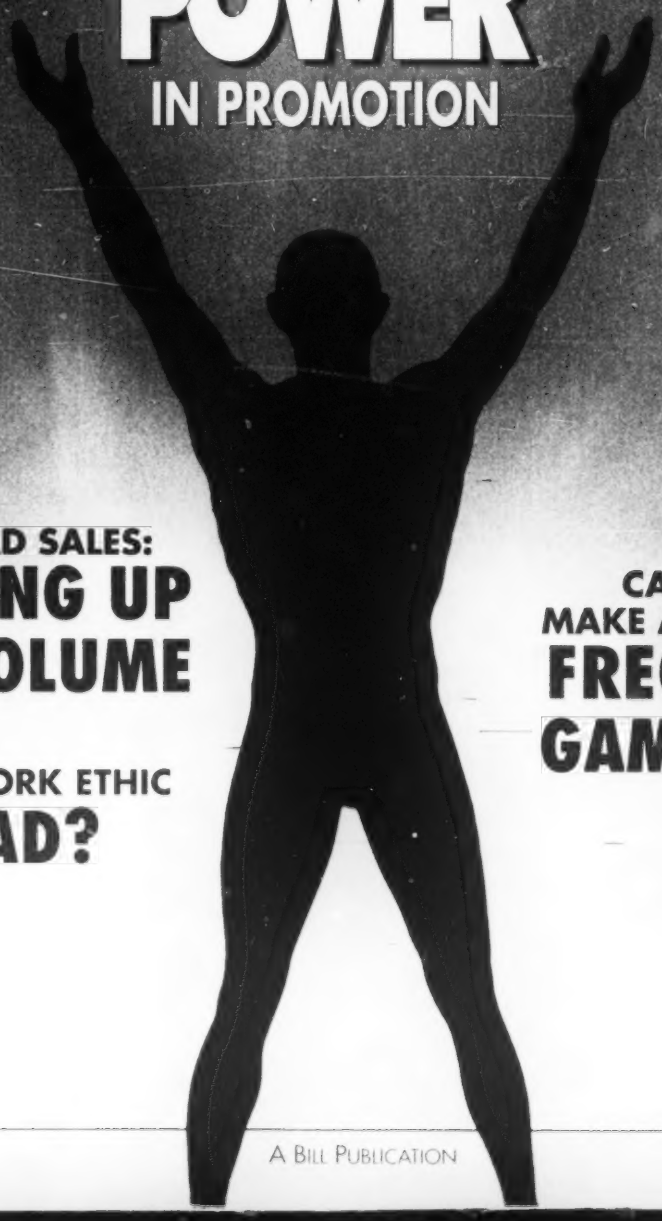
OCTOBER 1990

INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION

TODAYS RETAILER:
THE NEW POWER IN PROMOTION



RADIO AD SALES:
TURNING UP THE VOLUME

IS THE WORK ETHIC
DEAD?

CASINOS MAKE A PLAY FOR
FREQUENT GAMBLERS

A BILL PUBLICATION

86TH YEAR, VOL.164, NO.10 OCTOBER 1990

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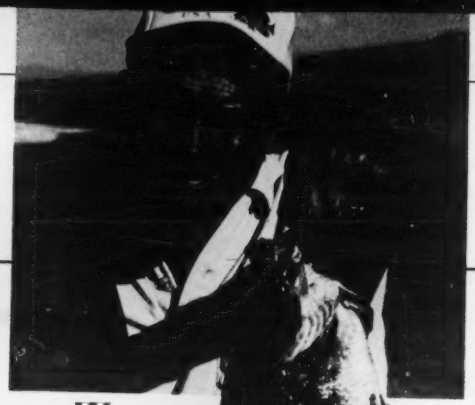

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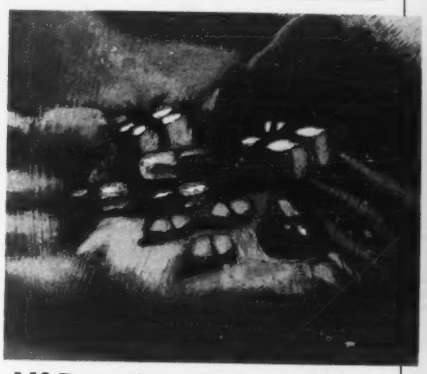

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FROM THE EDITOR

MORE THAN A GOOD IDEA...

BY BRUCE BOLGER

In July, Incentive magazine published the first-ever comprehensive guide to incentive planning, "How to Run an Incentive Program." We knew it was a good idea, but we didn't know just *how* good until after it was published.

The idea for the booklet came from you—our readers, who frequently call to request a single, comprehensive guide to incentive planning. Until now, we could only send you back issues of the magazine. We knew of no up-to-date authoritative guide that put all the basic information in one place. We realized that, with the help of some of our advertisers, we could fill that void.

To research the booklet, we enlisted the aid of Maritz Motivation Inc., a leading incentive company, and the American Productivity & Quality Center, the nation's authority on performance measurement and employee involvement. To help fund the effort, we turned to six sponsors: American Airlines, Bulova Corporation, ITT Sheraton Hotels, Norwegian Cruise Lines, Oneida Silversmiths and Thomson Consumer Electronics.

Todd Englander, now **Incentive**'s executive editor, spent several days at Maritz headquarters and pored over reams of documents provided by the APQC and our magazine. Todd and I reviewed the latest research on employee motivation to determine what information had to be covered. Our goal: to provide corporations and organizations with a modern blueprint for constructing meaningful employee motivation programs—for sales and nonsales employees alike.

While we knew that industry was badly in need of this booklet, we were still surprised by the breadth of response we've experienced since its publication in July. We've received dozens of requests for more copies from a broad array of businesses, trade associations and libraries, and many readers telephoned to tell us it had become a must-read for executives in their organizations. We are particularly pleased to hear of several leading trade associations *outside* the incentive field who want to include it with the literature they provide to members.

While we are heartened by the enthusiastic response, we believe we can do more to help companies maximize the effectiveness of their incentive programs. Next year, we will publish an even more comprehensive planning guide, one that will provide smaller users with the tools they need to enhance performance through incentives.

Incentive's number-one goal has always been to help companies improve performance by motivating customers and employees. I thank our sponsors and Todd Englander for helping to develop such a critical step toward achieving that goal.

Bruce Bolger

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FACTS SURVEY: TRAVEL INCENTIVES

The journey to higher sales continues, but at a slightly slower pace.

Incentive travel planners are having a good—but not a great—year. The sales gains registered by their programs are averaging 16.7 percent, a shade better than the 16 percent found in last year's survey. Both years, however, represent a decline from the pattern established in the previous five years.

To find a lighter yield, we have to go back to the recession period of 1982-83, with its 11 and 14 percent sales-gain results. Every year since then, incentive travel has produced sales increments ranging from 17.7 percent (in 1984) to 21 percent (1988).

Other FACTS surveys this year have unmasked the "culprits" producing this decline: While sales incentives appear to be producing effective results retail and wholesale dealers are dragging their feet a bit. Users of sales incentives—both merchandise and travel—reported gains of 18.4 percent, but dealer-incentive planners logged only 14.8 percent sales gains with their promotions.

Overall, however, travel incentives' powerful lure continues. The 175 executives in the 1990 survey say that 35 percent of program participants, on the average, qualify for their travel incentive offerings; that compares with 34 percent a year ago. More good news: travel-program costs are stable. The percentage of incremental sales spent on the incentive plan is 10.7, compared with 10.6 percent in 1989. And the median has actually declined a point, to 6 percent, indicating that many users are tightening the reins, thus making any dip in sales results a little easier to bear.

The leaning toward cost containment is further echoed in the per-trip outlays for the basic award. While the average per-person trip cost has risen to $1,805 from last year's $1,650, the median price has stayed at $1,500. It appears that although some corporate users are paying higher prices for their travel awards, the typical travel buyer has kept the budget in line with last year's.

TRAVEL INCENTIVE OBJECTIVES

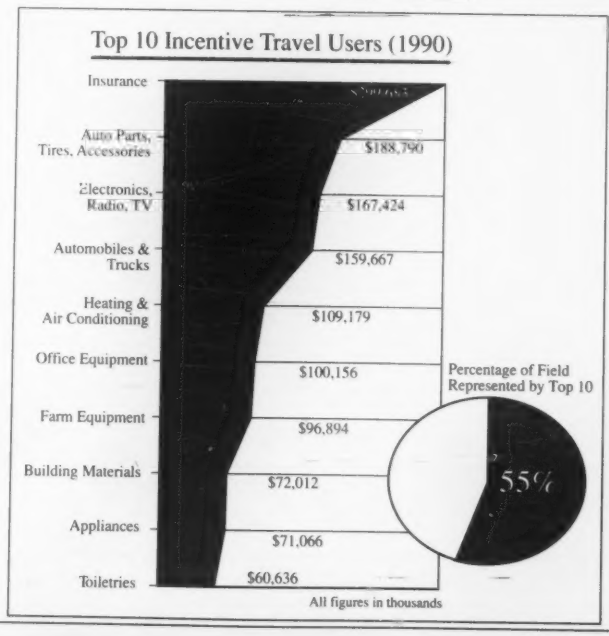
Percentage of respondents reporting

Increase overall volume	72%
Sell new accounts	51%
Improve morale/good will	47%
Introduce new product	31%
Move full line or slow items	28%
Offset competition	26%
Bolster slow season	17%
Support consumer promotion	12%
Prepare for strong season	10%
Build dealer traffic	9%

As a group, this year's respondents show other evidence of belt-tightening. Their actual 1989 budgets and projected 1990 travel budgets show an increase of 5.9 percent, compared with the 9.5 percent advance in travel spending produced from last year's final estimates.

Last year's FACTS study put total incentive travel spending at $2.4 billion; 59 percent targeted salesforce motivation, and the remainder was aimed at dealers. The sales incentive segment has been growing steadily; it first passed the 50 percent mark six years ago. The biggest user of travel incentives for salespeople continues to be the insurance industry, which spent just under $300 million last year. Makers of auto parts, tires and accessories rank second in travel usage, followed by electronics, radio and television, and then automobiles and trucks.

As always, incentive travel's target audiences vary greatly. Of the eight types listed in



the survey questionnaire, the largest group sent packing is sales personnel, targeted by 83 percent of the executives. Retail salespeople are the focus of 21 percent, and distributor salespeople 19 percent. Direct sellers account for 15 percent of programs, and independent sales representatives 16 percent. Thirty percent of respondents aim programs at retail dealers and 19 percent create them for distributors. The final—and growing—category, non-sales employees, is targeted by 21 percent of surveyed executives.

The expansion of incentive travel in recent years has sparked an increase in individual travel awards. About 54 percent of respondents conduct group trips, but almost as many—50 percent—now use individual travel awards as well, with trip timing and destination left largely to the discretion of each winner.

Although foreign travel retains its glamour, the largest number of users continue to touch down in domestic destinations. Hawaii, Florida, California, Nevada and Arizona are the current states of choice. Forty-five percent of surveyed users sometimes select foreign destinations, pouring an average of 55 percent of their budgets into those locales. On the domestic front, 87 percent of users pick U.S. spots, spending 78 percent of their budgets on such programs. All told, users spend about 28 percent of all travel expenditures on foreign trips and 72 percent on domestic journeys.

How long is the typical travel program qualification period? According to these users, program structures mandate everything from two weeks to two years. The average in this survey is 31 weeks. The planning period, meanwhile, runs around 40 weeks, often overlapping with the selling period. The whole process usually consumes about a year's effort on the part of the sales executive and staff.

While sculpting their programs, this year's executives keep a well-trained eye on their program budgets. The dollars continue to come from various sources; most planners—63 percent—operate from a pre-set budget. Fifteen percent operate from a promotional budget, while 12 percent derive their dollars from sales forecasts. Eleven percent of respondents base their travel program funding on a percentage of incremental sales.

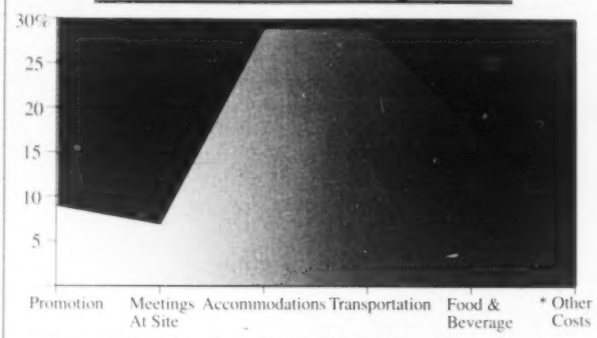
However it is established, the budget usually is dictated by expected sales, and 60 percent of travel users say that sales forecasts provide the basis for quotas. About 33 percent set the budget first and base their quotas on it, and the remaining 7 percent use other, unspecified methods to approximate quotas.

Most planners build a degree of flexibility into their budgets, especially the 73 percent of respondents who use the popular open-ended method of selecting winners (where all who qualify take the trip). The other 27 percent take the more rigid route, favoring a predetermined number of winners to match a fixed budget.

A key question confronted during the early planning stages: whether travel only or travel and merchandise together will make up the award mix. The survey finds that 53 percent of these users prefer to offer some merchandise incentives, while the other 47 percent like to bestow only travel on their winners.

Some who favor merchandise think of it primarily as support for the travel theme, including everything

Where The Travel Budget Goes



* includes ground transportation, side trips, insurance, entertainment, etc.

TRAVEL FACTS IN BRIEF

Programs per year (median)
- Domestic: 2
- Foreign: 1

Group trips
- Users: 54%
- Average number of participants: 160
- Median number of participants: 70
- Average length: 5 nights

Business meetings
- Hold meetings: 57%
- Average number of hours: 11.2

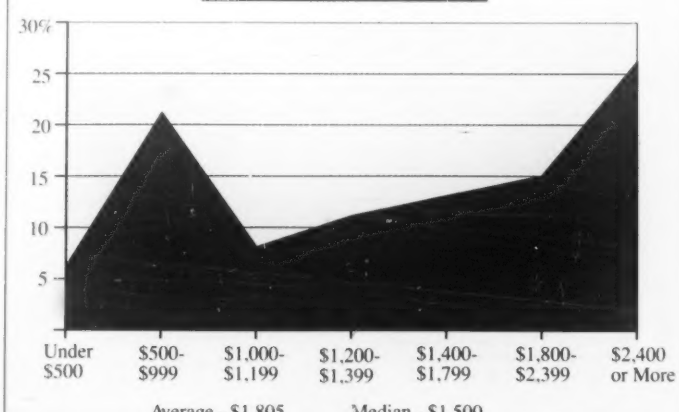
Buy-ins
- Allow buy-in: 27%
- Average of buy-in: 31%

Merchandise
- Users with travel: 53%

Consumer travel
- Users: 23%
- Pay for it: 85%
- Trade for it: 18%

Decision makers
- President, CEO, executive VP: 69%
- Sales/marketing director: 20%
- Meeting planner: 6%
- Product/merchandise manager: 4%
- Advertising/sales promotion director: 2%

Cost of Incentive Trip



from advertising specialties to substantial gifts playing off the theme. But many still are convinced that a two-tiered award structure is best—with merchandise presented to people who achieve a portion of the sales goal, but who do not qualify fully for the trip. The practice is especially prevalent in sales campaigns, less so in a majority of dealer campaigns.

David H. Sperry, president and general manager of Construction Supply Corp., Jupiter, Fla., is one executive who offers a dual program for both groups—salespeople and building-materials dealers. He claims that merchandise awards helped "increase sales volume by 20 percent over non-merchandise offerings." He reports that in addition to such prizes, he conducts small group trips to both foreign and domestic destinations.

"Merchandise provides one additional means of incentive and is easiest to define and cost in programs," asserts a Southeastern computer-software executive, who offers merchandise, group trips and individual

POPULAR DESTINATIONS

(RANKED IN ORDER)

DOMESTIC

373 responses

1. CALIFORNIA
   - Anaheim
   - Laguna
   - Los Angeles
   - Napa Valley
   - Palm Desert
   - Palm Springs
   - San Diego
   - San Francisco
   - Santa Barbara

2. FLORIDA
   - Boca Raton
   - Ft. Lauderdale
   - Ft. Myers
   - Key Biscayne
   - Key West
   - Miami
   - Orlando
   - St. Petersburg
   - Tampa
   - West Palm Beach

3. HAWAII
   - Kauai
   - Kona (Big Island)
   - Maui
   - Oahu

4. NEVADA
   - Lake Tahoe
   - Las Vegas
   - Reno

5. ARIZONA
   - Phoenix
   - Scottsdale
   - Sedona

6. BERMUDA

7. NEW YORK
   - Lake Placid
   - New York City

8. BAHAMAS

9. ILLINOIS
   - Chicago

10. PUERTO RICO
    - Cerromar Beach
    - San Juan

11. LOUISIANA
    - New Orleans

    SOUTH CAROLINA
    - Charleston
    - Hilton Head Island

12. TENNESSEE
    - Gatlinburg
    - Nashville

    TEXAS
    - Corpus Christi
    - Dallas
    - San Antonio

    U.S. VIRGIN ISLANDS
    - St. Croix
    - St. John
    - St. Thomas

13. ALASKA
    - Cruise

    COLORADO
    - Denver
    - Snowmass
    - Vail

    GEORGIA
    - Atlanta

    MASSACHUSETTS
    - Boston
    - Cape Cod

    NEW JERSEY
    - Atlantic City

14. WISCONSIN
    - Delavan

15. MISSOURI
    - St. Louis

    NORTH CAROLINA
    - Asheville
    - High Point

    PENNSYLVANIA
    - Poconos

    VIRGINIA
    - Lynchburg
    - Williamsburg

16. ARKANSAS

    DISTRICT OF COLUMBIA

    IOWA

    KENTUCKY

    MARYLAND
    - Annapolis

    MICHIGAN
    - Bellaire

    WASHINGTON
    - Seattle

    WEST VIRGINIA

FOREIGN

WESTERN HEMISPHERE

83 responses

1. MEXICO
   - Acapulco
   - Cancun
   - Cozumel
   - Ixtapa
   - Puerta Vallarta

2. CRUISE

3. CARIBBEAN
   - Antigua
   - Aruba
   - Barbados
   - Jamaica
   - St. Martin

4. CANADA
   - Banff
   - Montreal
   - Nova Scotia
   - New Brunswick
   - Toronto
   - Vancouver

5. SOUTH AMERICA
   - Brazil

OTHER CONTINENTS

84 responses

1. ENGLAND
   - London

2. FRANCE
   - Cannes
   - Paris

   ITALY
   - Milan
   - Rome
   - Venice

3. SWITZERLAND
   - Geneva
   - Lausanne

4. GERMANY
   - Berlin (East and West)

   SPAIN
   - Barcelona
   - Madrid

   HONG KONG

5. MONACO
   - Monte Carlo

6. AUSTRIA
   - Vienna

   DENMARK
   - Copenhagen

   PORTUGAL
   - Lisbon

   AUSTRALIA

   JAPAN

7. GREECE

   IRELAND

8. HOLLAND

   SWEDEN

   CZECHOSLOVAKIA

   RUSSIA

   ISRAEL

   EGYPT

   KENYA

   THAILAND

   CHINA

Note: Destinations tied in number of responses are listed under the same ranking.

travel to company salespeople and nonsales personnel.

A Midwestern manufacturer of printing equipment uses merchandise to spur performance beyond trip qualification. "We use merchandise as incentives to *surpass* quota performance," he explains. "To qualify for the trip, the salesperson must make 102 percent of quota. Then extra awards are added at 115, 125, 150 and 200 percent of quota for the year."

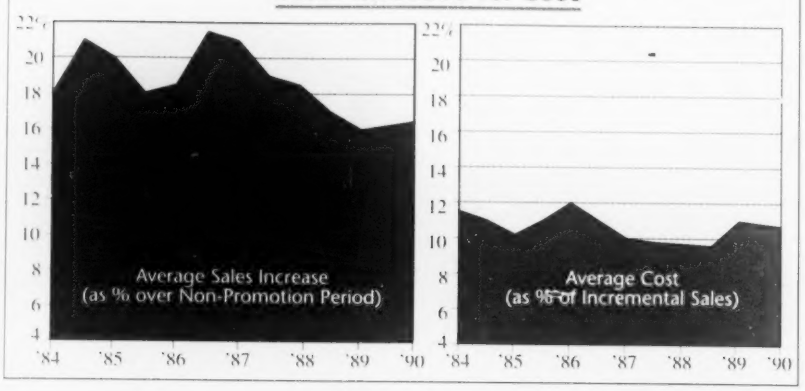
On the travel side, J. Jacobs, president of Stein and Associates, a Chicago wholesaler, has good reason to concentrate on group journeys. "The purpose of our travel incentives," he says, "is to promote professional growth through exposure to foreign markets. Key staff and top clients attend domestic and European trade exhibitions and visit major factories. Our merchandise incentive program is separate and distinct."

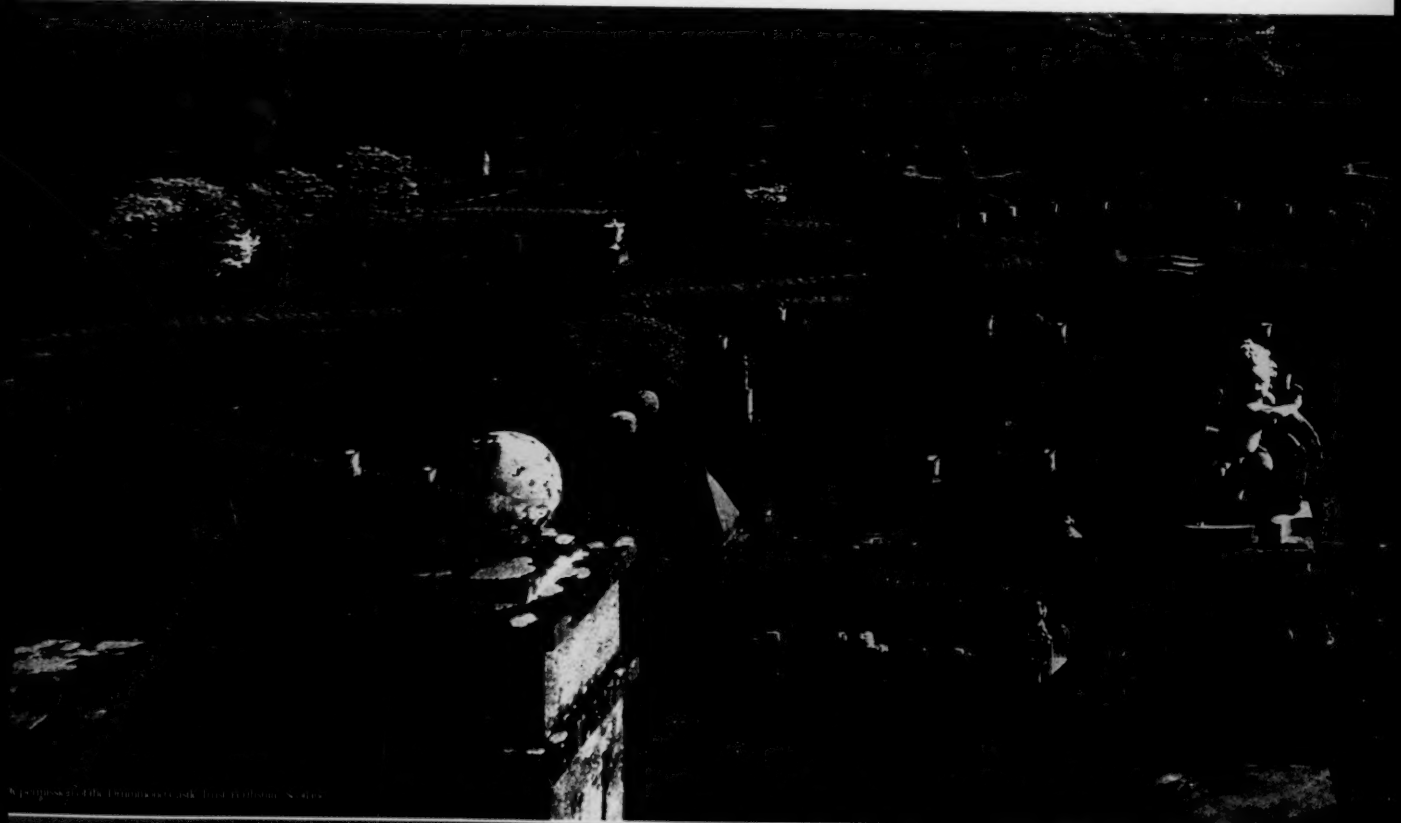
Travel's traditional lures, meanwhile, still beckon. An Eastern insurer comments: "As an insurance company, our meetings are not just awards. Getting our agents together for business sessions is a very important part of the meeting. They hear from company management on our direction and achievements, and take part in future planning. It's also a time to receive awards in front of their peers."

A Southwestern appliance distributor also likes the personal rapport. "Appliance dealers react very favorably to travel incentives versus merchandise," he says. "Our return on investment far outweighs merchandise rewards, plus it's a real opportunity to promote camaraderie with our customers."

"We work with fairly affluent people—agents who own their own insurance agencies," says Steve Kautzman of Meridian Insurance

Sales Increase vs. Cost





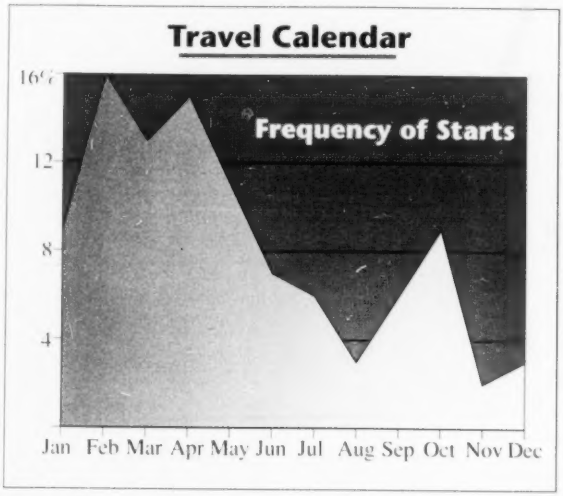
NORTHWEST AIRLINES

Co., Indianapolis. "These people are more motivated by travel than merchandise, since they can buy any merchandise on their own." A Midwestern aircraft maker agrees. Because he operates on a limited budget, he says he prefers the "greater benefit of having winners together and fostering the desire to be invited next year—and the winners' income is such that merchandise is of limited motivational value."

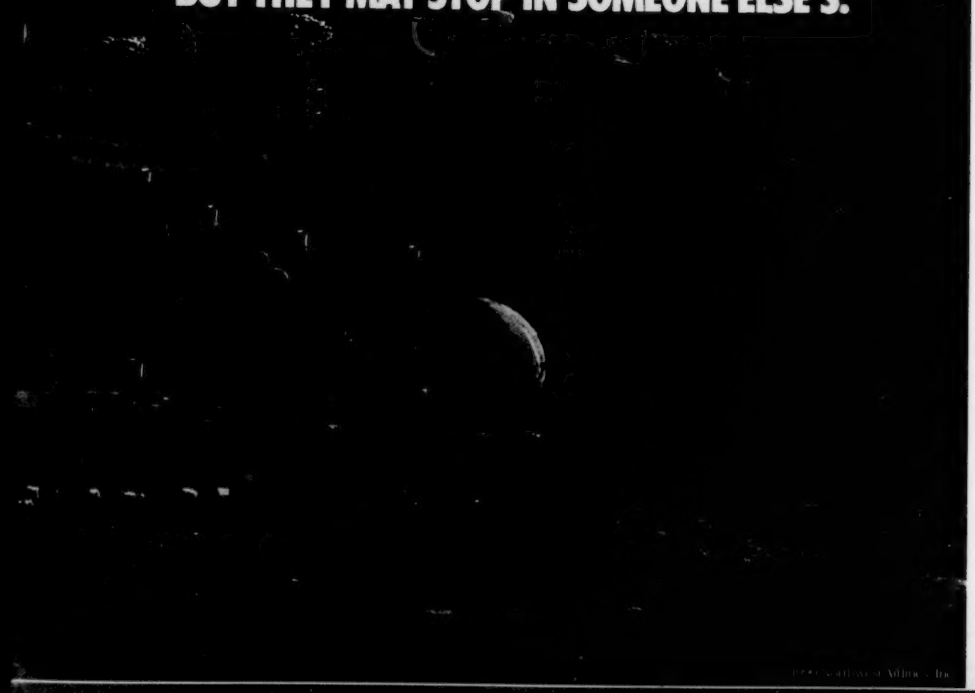
To enhance that motivational value, most of this year's respondents say they invite spouses along on trips. Some 92 percent offer trips for two, a little higher than the percentages of recent years. Also, a minority of 27 percent of respondents say they permit buy-ins—the practice of letting non-qualifiers go on the trip by paying a portion of the cost. At these firms, an average of 31 percent of winners buy in (this includes cases where the only buy-in option is for the cost of the spouse's trip). In all, executives say that buy-in options exist for only one winner in 12.

Program evaluation, a key component in any incentive travel program, continues to be based on a number of varying criteria. The majority of 59 percent of users measure total units or dollars of sales. Thirty percent rate the promotion on the basis of the percentage of persons reaching quota; 31 percent look at the effects on market share; 25 percent consider the profit on incremental sales, and 18 percent use branch or district performance as their primary criterion (the total exceeds 100 percent because of multiple measurements conducted by the executives).

Beyond these measurements, respondents still gauge a program's effectiveness on hitting the primary objective. Apart from the broad goal of increasing sales volume—now emphasized by 72 percent—the leading objective among this year's group is selling new accounts, targeted by a 51 percent majority. Forty-seven percent cite improving morale and good will as a prime goal of their incentive travel campaigns.



TO INSPIRE TOP PERFORMANCE, INCENTIVE TRAVEL COMPANIES DON'T STOP AT THEIR OWN BACKYARD. BUT THEY MAY STOP IN SOMEONE ELSE'S.



Of all the places you could send your top performers, you might not think of a Victorian garden in the hills of Scotland. A Japanese tea garden. Or the water garden that inspired Monet.

But an incentive travel company would.

They specialize in finding unique destinations. More than that, though, they know how to plan and promote an incentive program to create so much excitement employees achieve, and even exceed corporate goals.

And that's only part of what they do. Once your guests arrive at their destination, incentive travel companies make sure it's an experience of a lifetime.

Northwest Airlines recognizes the importance of the incentive travel company and encourages you to work with one. No matter what they put together, it'll cultivate the perfect environment for growth.

For more detailed information on Northwest or incentive company services, please call 1-800-328-7747.

Circle No. 155 on Buyer Action Card